

## **EXHIBIT 22**

# CONNETICS CORP

3400 W BAYSHORE RD  
PALO ALTO, CA 94303  
415. 843.2800

## 8-K

FORM 8-K  
Filed on 07/10/2006 – Period: 07/10/2006  
File Number 000-27406



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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 8-K**  
CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
July 10, 2006

Date of Report (Date of earliest event reported)

**CONNETICS CORPORATION**

(Exact name of Registrant as specified in its charter)

Delaware

0-27406

94-3173928

(State or Other  
Jurisdiction of  
Incorporation)

(Commission File No.)

(IRS Employer Identification No.)

3160 Porter Drive, Palo Alto, California 94304

(Address of principal executive offices, including zip code)  
(650) 843-2800

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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On July 10, 2006, Connetics Corporation (the "**Company**") issued a press release announcing it expects results for the second quarter ended June 30, 2006, and for the full year 2006, to be below the Company's guidance provided on May 3, 2006 and that it is withdrawing previous full year 2006 financial guidance.

The shortfall in second quarter revenue is due, in part, to the Company's decision to ship product volumes that were below estimated prescription demand in the second quarter by approximately \$7 million, a greater amount than originally planned, as well as to lower product orders from an international distributor.

Because shipments to the Company's wholesalers will be below levels indicated by end user prescription demand, the Company's net product revenues under GAAP reported in its quarterly and annual financial statements will be below levels previously indicated. The Company anticipates these actions may result in lower levels of accounts receivable due to the reductions in shipments, slower increases or potential decreases in returns and chargeback allowances and accruals for rebates reserves on the Company's balance sheet, and potential write-offs of excess finished goods inventory balances, all of which could affect the Company's liquidity. Any future changes in prescription demand will impact the amount of inventory reductions necessary to achieve desired levels of inventory in the distribution channel. The Company believes that its reduction of inventory levels in the distribution channel is consistent with improved wholesaler reporting, improved distribution logistics under centralized warehousing offerings from the Company's largest wholesalers, and the relative maturity of most of its products.

In addition, the press release provided an update on the Company's pending restatement of its 2005 financial statements, as initially described in the Company's press release dated May 3, 2006.

A copy of the July 10, 2006 press release is attached hereto as Exhibit 99.1.

The information contained in this Item 2.02 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in the filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated July 10, 2006

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONNETICS CORPORATION

By: /s/ Katrina J. Church  
Katrina J. Church  
Executive Vice President, Legal Affairs  
General Counsel and Secretary

Date: July 10, 2006

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Exhibit  
Number

Description

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99.1 Press Release, dated July 10, 2006

# CONNETICS CORP

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415. 843.2800

## EX-99.1

EXHIBIT 99.1  
8-K Filed on 07/10/2006 - Period: 07/10/2006  
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**connetics®**

**CONNETICS EXPECTS SECOND QUARTER FINANCIAL RESULTS  
TO BE BELOW PRIOR COMPANY GUIDANCE  
Withdraws Previous Full-Year Financial Guidance**

**PALO ALTO, Calif. (July 10, 2006)** — Connetics Corporation (Nasdaq: CNCT), a specialty pharmaceutical company that develops and commercializes dermatology products, today announced it expects revenues and earnings per share for the second quarter, and for the full year 2006, to be materially below the amounts included in the guidance that the Company provided on May 3, 2006. The shortfall in second quarter revenue is due, in part, to the Company's decision to reduce wholesaler inventory by shipping product volumes that were below estimated prescription demand, and due to lower product orders from an international distributor. By shipping less than demand, overall wholesaler inventory levels for the Company's products have been reduced by approximately \$7 million, a greater amount than originally planned. The Company estimates that wholesalers had on average approximately three and one-half months of inventory on hand as of June 30, 2006. The Company intends to continue to ship below estimated prescription demand during the remainder of 2006, with a goal of further reducing average wholesaler inventory levels to approximately two months on hand by the end of 2006. As announced on May 3, 2006, Connetics has delayed filing its Form 10-Q for the first quarter of 2006 until completion of a restatement of financial statements for the year ended December 31, 2005, and potentially additional periods, which will affect the financial statements to be included in its Quarterly Report on Form 10-Q. As previously announced, Connetics has determined that its rebate reserves as of the end of 2005 were understated, and that the rebate accruals had not been adequately capturing the full liability associated with units at distributors. The Company has largely completed its internal work regarding its reserves analysis, and is evaluating and resolving items in addition to rebate reserves that could materially impact the restated periods or the Company's results for the first quarter of 2006. Completion of the restatement remains subject to further review by the Company's Audit Committee and independent auditors.

Connetics will file its Form 10-Q for the first quarter of 2006 as well as its restated financial statements in amendments to prior reports with the Securities and Exchange Commission as soon as is practicable. Given the restatement, investors should rely on Connetics' forthcoming restated financial statements and other financial information rather than previously filed financial statements and other financial information.

In light of the matters discussed in this news release, the Company is withdrawing its 2006 financial guidance previously provided on May 3, 2006. The Company expects to provide an update on its business and second quarter results in August.

**About Connetics**

Connetics Corporation is a specialty pharmaceutical company focused on the development and commercialization of innovative therapeutics for the dermatology market. Connetics has branded its proprietary foam drug delivery vehicle VersaFoam®. The Company's marketed products are OLUX® (clobetasol propionate) Foam, 0.05%; Luxiq® (betamethasone valerate) Foam, 0.12%; Soriatane® (acitretin) capsules; and Evoclin® (clindamycin) Foam, 1%. Connetics is developing Desilux™ (desonide) VersaFoam-EF, 0.05%, a low-potency topical steroid formulated to treat atopic dermatitis; Primolux™ (clobetasol propionate) VersaFoam-EF, 0.05%, a super high-potency topical steroid

formulation to treat atopic dermatitis and plaque psoriasis; Extina<sup>®</sup> (ketoconazole) VersaFoam-HF, 2%, to treat seborrheic dermatitis; and Velac<sup>®</sup> (a combination of 1% clindamycin and 0.025% tretinoin) Gel, to treat acne. Connetics' product formulations are designed to improve the management of dermatological diseases and provide significant product differentiation. In Connetics' marketed products, these formulations have earned wide acceptance by both physicians and patients due to their clinical effectiveness, high quality and cosmetic elegance. For more information about Connetics and its products, please visit [www.connetics.com](http://www.connetics.com).

**Forward Looking Statements and Estimates**

Except for historical information, this press release includes "forward-looking statements" within the meaning of the Securities Litigation Reform Act. All statements included in this press release that address activities, events or developments that Connetics expects, believes or anticipates will or may occur in the future, including, particularly, statements about reductions in wholesaler inventory levels, 2006 results and the financial restatement process are forward-looking statements. All forward-looking statements are based on assumptions made by Connetics' management based on its experience and perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances. Specifically, statements about wholesaler inventory levels are based largely on reports of units on hand and withdrawals by wholesalers, averaged across all products and all product sizes, and are inherently imprecise. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond Connetics' control, and which could cause actual results or events to differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, risks and other factors that are discussed in documents filed by Connetics with the Securities and Exchange Commission from time to time. Forward-looking statements represent the judgment of the Company's management as of the date of this release, and Connetics disclaims any intent or obligation to update any forward-looking statements.

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